

Disciplinary and Other FINRA Actions

Firm Suspended

FCS Securities (CRD #40177, New York, New York) was fined \$5,000, jointly and severally with a registered representative, and suspended from association with any FINRA member in any capacity for four months. If the firm has not filed the requested audited annual reports by the end of the four-month suspension, the firm shall be expelled from FINRA membership. The National Adjudicatory Council (NAC) imposed the sanctions following appeal of an Office of Hearing Officers (OHO) decision. The sanctions were based on findings that the firm failed to file audited annual reports, as the SEC required.

This decision has been appealed to the SEC, and the sanctions are not in effect pending consideration of the appeal. **(FINRA Case #2007010306901)**

Firms Fined, Individuals Sanctioned

Intermountain Financial Services, Inc. (CRD #15386, Heber City, Utah) and **Kent Duane Sweat (CRD #1157627, Registered Principal, Heber, Utah)** submitted an Offer of Settlement in which the firm was censured and fined \$12,750. Sweat was fined \$7,500 and suspended from association with any FINRA member in any principal capacity for five business days. Without admitting or denying the allegations, the firm and Sweat consented to the described sanctions and to the entry of findings that the firm, acting through Sweat, failed to enforce its written supervisory procedures pertaining to its annual compliance meeting, branch office inspections, outside business activities, outside securities accounts, Regulation SP, hiring practices and the use of personal computers. The findings stated that Sweat and the firm failed to maintain copies of registered representatives' incoming and outgoing correspondence with the public relating to its securities business, and failed to maintain evidence of review as NASD rules and firm procedures required. The findings also stated that the firm, acting through Sweat, failed to maintain records of its Firm Element Continuing Education Needs Analysis and Written Training Plan for multiple years, and failed to maintain continuing education (CE) records to evidence that the firm's representatives participated in the Firm Element CE program during one year. The findings also included that the firm failed to implement procedures concerning the capturing, preservation, maintenance and storage of all original and copied communications the firm received and sent, and failed to retain all electronic communications relating to its business.

Reported for October 2010

FINRA® has taken disciplinary actions against the following firms and individuals for violations of FINRA rules; federal securities laws, rules and regulations; and the rules of the Municipal Securities Rulemaking Board (MSRB).

FINRA found that the firm failed to implement a written anti-money laundering (AML) compliance program reasonably designed to achieve the firm's compliance with the laws, rules and regulations to which it was subject. FINRA also found that the firm failed to implement its AML procedures by failing to provide AML training in a manner specified in its written AML program, and did not properly update its AML compliance officer contact information as required.

The suspension was in effect from September 20, 2010, through September 24, 2010. (FINRA Case #2008011579401)

Seaboard Securities, Inc. (CRD #755, Florham Park, New Jersey), Anthony Joseph DiGiovanni Sr. (CRD #601698, Registered Principal, Florham Park, New Jersey), Sonya Terez Still (CRD #4235212, Registered Principal, Jersey City, New Jersey) and Anthony Joseph DiGiovanni Jr. (CRD #4787615, Registered Representative, East Hanover, New Jersey) submitted an Offer of Settlement in which the firm was fined \$125,000, of which \$10,000 was jointly and severally with DiGiovanni Sr. and \$10,000 was jointly and severally with Still; and was ordered to retain, within 60 days of the date of the Order accepting the Offer of Settlement, an independent consultant to conduct a comprehensive review of the adequacy of the firm's AML program and its policies, systems and procedures (written and otherwise) and training relating to determining whether securities are freely tradable; the independent consultant is required to submit to FINRA a written report addressing these issues and making recommendations. The firm shall submit to FINRA a written implementation plan, certified by a firm officer, of its implementations of the consultant's final recommendations. Furthermore, until the firm provides FINRA with the written implementation report, the firm shall be prohibited from selling any securities deposited in certificate form or by Deposit Withdrawal At Custodian (DWAC) unless the stock has been held in an account at the firm for at least one year; and the firm retains an opinion from counsel retained by the firm opining that the stock may be sold in compliance with Section 5 of the Securities Act of 1933.

Anthony DiGiovanni Sr. was suspended from association with any FINRA member in any principal capacity for 45 days. Still was suspended from association with any FINRA member in any principal capacity for 30 days. Anthony DiGiovanni Jr. was fined \$35,000, which includes the disgorgement of \$25,000 in financial benefits received, and suspended from association with any FINRA member in any capacity for 45 days.

Without admitting or denying the allegations, the respondents consented to the described sanctions and to the entry of findings that the firm, acting through Anthony DiGiovanni Jr., participated in the distribution of unregistered thinly traded securities for firm customers that resulted in proceeds over \$3.8 million from the customers and approximately \$400,000 in gross commissions for the firm, and failed to perform an adequate inquiry to determine the registration or exemption status of the shares, including failing to make any inquiries to determine the circumstances of how its customers received their shares of unregistered stock, the customers' relationships with the relevant issuers, or any other relevant facts or circumstances that could have revealed whether the shares were, in fact, exempt from registration. The findings stated that the firm accepted the self-serving statements of its customers and counsel that the shares were exempt and ignored "red flags" indicating the customers and the firm

were participating in a scheme to evade registration requirements. The findings also stated that the firm, acting through DiGiovanni Sr., failed to adequately supervise DiGiovanni Jr. in his participation in the sales of unregistered securities. The findings also included that DiGiovanni Sr. reviewed the firm's trade blotters on a daily basis and was aware of the customers' trading activity and also approved new account documents that raised red flags, but failed to take any action to investigate or prevent the firm's or DiGiovanni Jr.'s participation in, and illegal sale of, unregistered securities.

FINRA found that the firm, acting through Still, as compliance officer, failed to establish and maintain adequate policies and procedures, including written supervisory procedures, reasonably designed to achieve compliance with applicable laws, rules and regulations with respect to the sale of unregistered securities. FINRA also found that the firm, acting through Still, failed to develop and implement AML policies and procedures and internal controls reasonably designed to achieve compliance with the Bank Secrecy Act (BSA) and implementing regulations. In addition, FINRA determined that the firm, acting through Still, either failed to identify or ignored red flags involving numerous instances of potentially suspicious activities, and thus failed to investigate and report these activities in accordance with the firm's procedures and the requirements of the BSA and implementing regulations. Moreover, FINRA found that the firm and Still should have detected the suspicious nature of the customers' liquidation of their penny stocks, investigated the activity and made the appropriate Suspicious Activity Reports (SAR) filings.

DiGiovanni Sr.'s suspension is in effect from October 7, 2010, through November 20, 2010. Still's suspension was in effect from September 7, 2010, through October 6, 2010. DiGiovanni Jr.'s suspension is in effect from September 7, 2010, through October 21, 2010. (FINRA Case #2007008724801)

Firms and Individuals Fined

NWT Financial Group, LLC (CRD #140145, Issaquah, Washington), David Eric Niederkrome (CRD #2220569, Registered Principal, Snoqualmie, Washington) and Stephen Rudolph Rodgers (CRD #1870455, Registered Principal, Ruston, Louisiana) submitted a Letter of Acceptance, Waiver and Consent in which the firm, Niederkrome and Rodgers and were censured and fined \$10,000, jointly and severally. The firm and Rodgers were fined an additional \$5,000, jointly and severally. Without admitting or denying the findings, the firm, Niederkrome and Rodgers consented to the described sanctions and to the entry of findings that the firm, acting through Rodgers, allowed opening options transactions in accounts without signed options agreements. The findings stated that the firm, acting through Rodgers, allowed accounts to day-trade prior to firm approval, failed to evidence that accounts had been approved for day-trading and failed to evidence that customers had been furnished a risk disclosure statement prior to engaging in day-trading activities. The findings also stated that each of these accounts came to the firm as part of a mass transfer of accounts from a former member firm. The findings also included that the firm, acting through Rodgers and Niederkrome, failed to implement portions of its supervisory control procedures, in that Rodgers and Niederkrome failed to test and verify that the firm's supervisory control procedures and policies were reasonably designed to achieve compliance with

applicable rules; and, prepare and submit a report to senior management detailing the firm's system of supervisory controls, the summary of the test results, significant identified exceptions and any additional or amended supervisory procedures created in response to the test results.

FINRA found that Rodgers and Niederkrome failed to complete an annual certification pursuant to NASD Rule 3013(b), verifying that the firm had in place processes to establish, maintain, review, test and modify written compliance policies and written supervisory procedures to comply with applicable securities rules and regulations. **(FINRA Case #2009016295901)**

Olympia Asset Management, Ltd. (CRD #126331, New York, New York) and Tim Poulos (CRD #2755566, Registered Principal, Ozone Park, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm and Poulos were censured and fined \$10,000, jointly and severally. Without admitting or denying the findings, the firm and Poulos consented to the described sanctions and to the entry of findings that the firm, acting through Poulos, its Chief Compliance Officer, failed to report customer complaints to FINRA as part of the statistical and summary information required by NASD Rule 3070(c). **(FINRA Case #2008011806301)**

Firms Fined

Agency Trading Group, Inc. (CRD #108887, Wayzata, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$52,500 and required to revise its written supervisory procedures regarding compliance with Securities and Exchange Commission (SEC) Rules 200(g) and 203(b)(1) of Regulation SHO, and NASD Rule 6130(d)(6). Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to show the entry times, the execution times and the terms and conditions of customer orders on brokerage order memoranda. The findings stated that the firm failed to report to the OTC™ Reporting Facility (OTCRF) the correct symbol indicating whether transactions were buy, sell, sell short or cross for transactions in reportable securities. The findings also stated that the firm accepted short sale orders in an equity security from another person, or effected a short sale in an equity security for its own account, without borrowing the security, or entering into a *bona fide* arrangement to borrow the security; or having reasonable grounds to believe the security could be borrowed so that it could be delivered on the date delivery is due; and documenting compliance with SEC Rule 203(b)(1) of Regulation SHO. The findings also included that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with SEC Rules 200(g) and 203(b)(1) of Regulation SHO, and NASD Rule 6130(d)(6). **(FINRA Case #2007010797701)**

Archipelago Securities L.L.C. (CRD #102500, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted Reportable Order Events (ROEs) to the Order Audit Trail System™ (OATS) that OATS rejected for context or syntax errors and were repairable, but the firm failed to repair all of the rejected ROEs,

therefore resulting in its failure to transmit those ROEs to OATS. The findings stated that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning OATS. **(FINRA Case #2008014645301)**

Biremis, Corp. (CRD #127840, Boston, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted ROEs to OATS that OATS rejected for context or syntax errors and were repairable, but the firm failed to repair many of them, therefore resulting in its failure to transmit those ROEs; failed to repair most of the rejected ROEs within the required five business days; and failed to populate the Rejected ROE Resubmit Flag with a “Y” for some of the rejected resubmissions. The findings stated that the firm transmitted Route or Combined Order/Route Reports to OATS that the OATS system was unable to link to the corresponding report due to inaccurate, incomplete or improperly formatted data the firm sent. The findings also stated that the firm transmitted ROEs to OATS that contained an incorrect market participant identifier (MPID). **(FINRA Case #2007008418501)**

BNP Paribas Securities Corp. (CRD #15794, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$77,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to timely report ROEs to OATS; transmitted Execution or Combined Order/Execution Reports to OATS that the OATS system was unable to link to related trade reports in an NASD trade reporting system due to inaccurate, incomplete or improperly formatted data; transmitted Route or Combined Order/Route Reports to OATS that the OATS system was unable to link to the related order routed to NASDAQ due to inaccurate, incomplete or improperly formatted data; and transmitted New Order Reports and related subsequent reports to OATS where the timestamp for the related subsequent report occurred prior to the receipt of the order. The findings stated that the firm failed to accept or decline in the FINRA/NASDAQ Trade Reporting Facility® (FNTRF) transactions in reportable securities within 20 minutes after execution that the firm had an obligation to accept or decline as the order entry firm (OEID). The findings also stated that the firm made publicly available a report on its routing of non-directed orders in covered securities that included incorrect information as to its routing of non-directed orders in covered securities and failed to provide written notification disclosing to its customer its correct capacity in a transaction. The findings also included that the firm failed, within 90 seconds after execution, to transmit last sale reports of transactions in designated securities to the FNTRF.

FINRA found that the firm double-reported last sale transactions in designated securities to the FNTRF; incorrectly designated as “T” last sale reports of transactions in designated securities to the FNTRF, and failed to report the correct execution time for transactions in reportable securities to the FNTRF. FINRA also found that the firm failed to report transactions in Trade Reporting and Compliance Engine™ (TRACE™)-eligible securities to TRACE within 15 minutes of the execution time. **(FINRA Case #2008013545101)**

Brimberg & Co., L.P. (CRD #1315, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to transmit ROEs to OATS and failed to timely report ROEs to OATS. The findings stated that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning OATS reporting. **(FINRA Case #2008013696601)**

Brookview Capital LLC (CRD #123335, White Plains, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$10,000 and required to revise its written supervisory procedures regarding trade reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it reported last sale reports of transactions in designated securities to the FNTRF that it was not required to report. The findings stated that the firm failed to report to the FNTRF the correct symbol indicating the capacity in which it executed transactions in reportable securities and failed to report to the FNTRF the correct time of execution for transactions in reportable securities. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning trade reporting. **(FINRA Case #2008015259001)**

Centaurus Financial, Inc. (CRD #30833, Anaheim, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$10,000 and required to revise its written supervisory procedures regarding transaction reporting in municipal securities. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the correct trade time to the Real-time Transaction Reporting System (RTRS) in reports of transactions in municipal securities. The findings stated that the firm failed to report information regarding transactions effected in municipal securities to the RTRS within 15 minutes of trade time to an RTRS Portal. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and MSRB rules concerning transaction reporting in municipal securities. **(FINRA Case #2009017096901)**

Commonwealth Church Finance, Inc. dba Charter Financial Services (CRD #11768, McDonough, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$40,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it commenced bond offerings on a "best efforts" basis including a minimum contingency, in which escrow was broken without disclosing in the offering memoranda the possible use of loan proceeds to close the offerings. The findings stated that in order to raise sufficient funds for one of the offerings, the issuer obtained a loan from a bank prior to closing the offering, and while the firm was not involved with obtaining the loan, it was aware that the loan had been obtained and the escrow account had been broken prior to the sale of the required minimum. The findings also stated that to meet the required minimum of the other offering, the issuer obtained a loan that the escrow agent considered in part as satisfying the offering contingency, and the funds were then used to retire the earlier bond issue as represented in the offering memorandum.

The findings also included that the firm allowed the representations in the offering memorandums that investor funds would not be released until the contingency amounts were met to be rendered false and misleading.

FINRA found that the firm used unwarranted, exaggerated and oversimplified statements in connection with sales literature, including an oral presentation and a brochure, and failed to provide a sound basis to evaluate the bonds or risks involved. **(FINRA Case #2008011619001)**

Cowen and Company (CRD #7616, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$110,000 and required to revise its written supervisory procedures regarding best execution, trading halt activity and unit aggregation, OATS, soft dollar accounts, and trading. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted reports to OATS that contained inaccurate, incomplete or improperly formatted data, in that the firm failed to include a desk timestamp and related desk information, incorrectly included a reporting exception code of “R,” failed to submit the correct capacity, and/or incorrectly submitted desk reports, and the firm also failed to submit one required route report. The findings stated that the firm failed to submit to the FNTRF, for the offsetting, “riskless” portion of “riskless” principal transaction(s) in designated securities, either a clearing-only report with a capacity indicator of “riskless principal,” or a non-tape, non-clearing report with a capacity indicator of “riskless principal,” and failed to report last sale reports of transactions in designated securities to the FNTRF. The findings also stated that the firm failed to prepare accurate customer confirmations, failed to disclose its correct capacity in transactions and incorrectly disclosed its compensation as commission. The findings also included that the firm failed to properly mark orders as long or short.

FINRA found that the firm transmitted reports to OATS that contained inaccurate, incomplete or improperly formatted data, in that the firm submitted an incorrect destination code of “N” and/or failed to submit a required MPID. FINRA also found that the firm’s supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and/or FINRA rules addressing best execution, trading halt activity and unit aggregation, OATS, soft dollar accounts, and trading. In addition, FINRA determined that the firm improperly double-reported transactions to the NASD/NASDAQ Trade Reporting Facility (NNTRF) and FNTRF, and improperly reported cross transactions to the NNTRF and FNTRF. **(FINRA Case #2007010246301)**

Daiwa Capital Markets America Inc. (CRD #1576, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that in reports it transmitted to OATS, it failed to append the “not held” special handling instruction to the reports. The findings stated that the firm failed to report last sale reports of transactions in OTC equity securities to the OTCRF. The findings also stated that the firm inaccurately disclosed to customers that a transaction was executed at an average price and that a long sale was executed as a short sale. **(FINRA Case #2008016166901)**

DE Route aka Direct Edge ECN LLC (CRD #135981, Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$37,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted ROEs to OATS that OATS rejected for context or syntax errors and were repairable, but the firm failed to repair many of the rejected ROEs so that they were not transmitted to OATS, and the firm resubmitted some of the rejected ROEs without marking the ROEs with the Rejected ROE Resubmit Flag "Y." The findings stated that the firm failed to timely report ROEs to OATS; transmitted Execution Reports to OATS that the OATS system was unable to link to the related trade reports in an NASD/NASDAQ trade reporting system due to inaccurate, missing or improperly formatted data in the Execution Reports; transmitted Route or Combined Order/Route Reports to OATS that the OATS system was unable to link to the related order routed to NASDAQ due to inaccurate, incomplete or improperly formatted data; transmitted Route Reports to OATS that the OATS system was unable to link to the corresponding new order transmitted by the destination member firm due to inaccurate, incomplete or improperly formatted data; and transmitted New Order Reports and related subsequent reports to OATS where the timestamp for the related subsequent report occurred prior to the receipt of the order, which caused the OATS system to be unable to create an accurate time-sequenced record from the receipt of the order through its resolution. The findings also stated that the firm made available reports on the covered orders in national market system securities that it received for execution from any person, and the reports included incorrect information as to the number of canceled shares, number of away executed shares, number of shares from zero-to-nine seconds, average realized spread, average effective spread, outside-the-quote shares, average amount and time, price improved shares and average amount, at-the-quote shares and average time, and voided order executions. **(FINRA Case #2008012541301)**

Farmers Financial Solutions, LLC (CRD #103863, Agoura Hills, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$75,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to have an adequate system or procedure in place that was reasonably designed to achieve compliance for the preservation and maintenance of emails or for the supervisory review of registered representatives' emails with the public. The findings stated that the firm allowed its registered representatives to use email to conduct business and it did not have an automated system for email surveillance or archiving, but instead, relied upon its registered representatives to electronically forward their emails to a dedicated internal email address for purposes of supervisory review by a principal and archiving, while having no effective system or procedure in place to monitor compliance of its registered representatives with the email-forwarding requirement. The findings also stated that the firm failed to preserve and maintain business-related emails. **(FINRA Case #2008015341602)**

Fortis Clearing Americas LLC nka ABN Amro Clearing Chicago LLC (CRD #14020, Chicago, Illinois) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$17,500. Without admitting or denying the findings, the firm

consented to the described sanctions and to the entry of findings that it made publicly available for a calendar quarter a report on its routing of non-directed orders in covered securities during that quarter, which included incorrect percentages of the number of non-directed market, limit and other orders sent to the various exchanges. The findings stated that the firm failed to disclose to customers in one annual disclosure that individual routing information was available upon request. The findings also stated that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and/or FINRA rules addressing order handling (SEC Rule 606), best execution (Three Quote Rule), trade reporting on member's behalf, order-marking requirements, pre-borrowing in aged fails, naked short selling, reporting accurate short sale indicators, clearly erroneous trade filings, OATS (routed order IDs), and books and records. The findings also included that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning best execution (Three Quote Rule), order marking requirements, locate requirements and books and records. **(FINRA Case #2009017016101)**

Goldman, Sachs & Co. (CRD #361, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the correct execution time to the RTRS for reports of transactions in municipal securities. The findings stated that the firm failed to report information regarding transactions effected in municipal securities to the RTRS within 15 minutes of trade time to an RTRS Portal. **(FINRA Case #2009018642401)**

Goldman Sachs Execution & Clearing, L.P. (CRD #3466, Jersey City, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$25,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to provide written notification disclosing to its customer that transactions were executed at an average price as a result of information being truncated from the relevant confirmations. The findings stated that the firm made available a report on the covered orders in national market system securities it received for execution from any person that included instances in which the firm incorrectly calculated figures for total covered orders, total covered shares and canceled shares as a result of errors in a vendor's system. **(FINRA Case #2009017015901)**

HSBC Securities (USA) Inc. (CRD #19585, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$22,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed, within 90 seconds after execution, to transmit to the FNTRF last sale reports of transactions in designated securities. The findings stated that the firm reported last sale reports to the FNTRF of transactions in designated securities it was not required to report. The findings also stated that the firm failed to report to the FNTRF the correct execution time for transactions in reportable securities. **(FINRA Case #2008015260101)**

Isaak Bond Investments, Inc. (CRD #7413, Denver Colorado) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$12,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report information regarding transactions effected in municipal securities to the RTRS within 15 minutes of trade time to an RTRS Portal or within three hours of trade time to an RTRS Portal for “when issued” trades in which the firm did not act as a syndicate manager or syndicate member in the manner MSRB Rule G-14 RTRS Procedures and the RTRS Users Manual proscribed. **(FINRA Case #2007011383701)**

Legent Clearing (CRD #117176, Omaha, Nebraska) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$20,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it made publicly available reports on its routing of non-directed orders in covered securities that included incorrect information because the information contained orders where the firm did not engage in the routing of non-directed orders. **(FINRA Case #2009016571301)**

Midwood Securities, Inc. (CRD #21520, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$12,500. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to transmit ROEs to OATS that it was required to transmit. **(FINRA Case #2008012305101)**

Neuberger Berman LLC (CRD #2908, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$35,000 and required to revise its written supervisory procedures regarding short interest reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to accurately report its short interest data and failed to report short interest positions to NASD (now FINRA). The findings stated that the firm’s supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning short interest reporting. **(FINRA Case #2006006208401)**

Newbridge Securities Corporation (CRD #104065, Fort Lauderdale, Florida) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$600,000, and required to have its president and Chief Executive Officer (CEO) each register for eight hours of AML training within 60 days of issuance of the AWC, provide FINRA with evidence of registrations within 10 days of registration, have the individuals attend and complete the training within six months of issuance of the AWC and provide FINRA with evidence of completion of training within 10 days of completion. The firm is prohibited from effecting any purchase transactions in penny stocks for either proprietary or customer accounts, and shall not engage in market making of such stocks, for one year following acceptance of the AWC. The firm shall hire an independent consultant to review the firm’s systems relating to timely and accurate filing of Uniform Applications for Securities Industry Registration or Transfer (Forms U4) and Uniform Termination Notices for Securities Industry Registration (Forms U5), disclosure events and customer complaints under NASD Rule 3070 and, within 60

days after delivery of a written report, adopt and implement the consultant's recommendations or propose alternative procedures in writing to the consultant and FINRA. Within 30 days after issuance of the consultant's final written report, the firm shall provide FINRA with a written implementation report certified by a firm officer.

Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it facilitated the manipulative trading of the stock of a company created as the result of a reverse merger; a group of control persons and promoters used accounts at the firm to execute pre-arranged in-house agency cross and wash transactions that were intended to generate volume and support or increase the price of the stock. The findings stated that the firm permitted control persons to sell unregistered securities through firm accounts, and the sales were not made in compliance with any applicable exemption from registration. The findings also stated that the firm failed to adequately supervise the registered representatives who participated in the sales of unregistered securities; failed to take adequate measures to ensure that the registered representatives assigned to the accounts did not engage in the sale of unregistered securities; failed to take steps to ensure that the registered representative ascertained whether the securities being sold were registered, how and from whom the customers had obtained their shares, whether and when the shares were paid for, and whether the transactions were subject to any exemption from registration; and failed to adequately supervise registered representatives who participated in the manipulative trading. The findings also included that the firm did not have adequate systems or controls to implement and enforce its policies, particularly adequate systems to detect improper cross, wash and other manipulative trading.

FINRA found that the firm's AML procedures required the firm to investigate red flags indicating suspicious activity or trading, and to investigate and take appropriate steps, including limiting account activity, contacting a government agency or filing a SAR, but the firm failed to follow its AML program in regard to the manipulative trading, unregistered distributions and other suspicious activities. FINRA also found that the firm failed to report, or timely report, customer complaints reportable under NASD Rule 3070(c). In addition, FINRA determined that the firm failed to file Forms U4 or U5 to report disclosable events and failed to timely amend a Form U4 to report a disclosable event. (FINRA Case #2007007151704)

Russell Implementation Services Inc. (CRD #329, Tacoma, Washington) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured, fined \$27,500 and required to revise its written supervisory procedures regarding OATS reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to transmit ROEs to OATS that the firm was required to transmit. The findings stated that the firm transmitted Route or Combined Order/Route Reports to OATS that the OATS system was unable to link to the corresponding new order transmitted by the destination member firm due to inaccurate, incomplete or improperly formatted data, and transmitted New Order Reports and related subsequent reports to OATS where the timestamp for the related subsequent report occurred prior to the receipt of the order. The findings also stated that the inaccurate timestamps caused the OATS system to be unable to create an

accurate, time-sequenced record from the receipt of the order through its resolution. The findings also included that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and FINRA rules concerning OATS reporting. FINRA found that the firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning OATS reporting. **(FINRA Case #2008012660401)**

Wedbush Securities Inc. (CRD #877, Los Angeles, California) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$15,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to report the correct trade time to the RTRS in reports of transactions in municipal securities. The findings stated that the firm failed to report information regarding transactions effected in municipal securities to the RTRS within 15 minutes of trade time to an RTRS Portal. **(FINRA Case #2009018642201)**

Weeden & Co. L.P. (CRD #16835, Greenwich, Connecticut) submitted a Letter of Acceptance, Waiver and Consent in which the firm was censured and fined \$10,000. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it transmitted Route or Combined Order/Route Reports to OATS that the OATS system was unable to link to the corresponding new orders transmitted by the destination member firm due to inaccurate, incomplete or improperly formatted data; transmitted New Order Reports and related subsequent reports to OATS where the timestamp for the related subsequent report occurred prior to the receipt of the order; failed to transmit ROEs; failed to timely report ROEs to OATS; transmitted Route or Combined Order/Route Reports to OATS that the OATS system was unable to link to the related order routed to NASDAQ due to inaccurate, incomplete or improperly formatted data; and transmitted ROEs to OATS that contained inaccurate, incomplete or improperly formatted data — the firm transmitted execution reports to OATS for orders that had been routed away from the firm for execution. **(FINRA Case #2007010367301)**

Individuals Barred or Suspended

Jerry Isaac Alboher (CRD #2598457, Registered Representative, West Palm Beach, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Alboher's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Alboher consented to the described sanctions and to the entry of findings that he provided incorrect home addresses for customers on their variable annuity applications that he submitted to his member firm. The findings stated that Alboher used Florida addresses for the customers even though they did not reside in that state.

The suspension is in effect from September 7, 2010, through March 6, 2011. **(FINRA Case #2009017838501)**

Guy Steven Amico (CRD #1723157, Registered Principal, Wellington, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$100,000, suspended from association with any FINRA member in any principal capacity for four months and required to complete eight hours of AML training. Amico is to register for AML training within 60 days of issuance of the AWC and provide evidence to FINRA of the registration within 10 days of registration; attend such training within six months of issuance of this AWC and provide FINRA with evidence of completion of training within 10 days of completion of the training program. Without admitting or denying the findings, Amico consented to the described sanctions and to the entry of findings that as his member firm's president, he failed to adequately supervise the firm's chief compliance officers (CCOs) and AML compliance officers (AMLCOs). The findings stated that Amico knew, or should have known, of substantive violations of FINRA rules and the potential inadequacy of firm compliance personnel through FINRA exit conference reports that the firm failed to properly report customer complaints and other reportable matters, failed to make Form U4 or Form U5 amendments to report disclosable events, or failed to timely amend Forms U4 or U5. The findings also stated that Amico received FINRA exit conference reports regarding violations of the BSA and FINRA AML rules. The findings also included that Amico received SEC written findings identifying suspicious penny stock transactions, AML program issues and reporting deficiencies.

FINRA found that as the president and owner of the firm, Amico was responsible for the firm's compliance with regulatory requirements imposed on the firm and knew, or should have known, that the firm's CCOs and AMLCOs were not performing the compliance functions designated to them. FINRA also found that Amico knew through FINRA exit conference reports and SEC written findings that the firm, through the CCOs and AMLCOs, was not in compliance with BSA requirements and NASD Rule 3011, was not making necessary filings under NASD Rule 3070 and Article V, Sections 2 and 3 of FINRA's By-Laws, and that one of the CCOs/AMLCOs had a disciplinary history but failed to take affirmative steps to ensure that they were performing the AML and reporting functions delegated to them.

The suspension is in effect from September 20, 2010, through January 19, 2011. **(FINRA Case #2007007151705)**

Stephen Paul Aquilino (CRD #2737809, Registered Principal, Virginia Beach, Virginia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for one month. Without admitting or denying the findings, Aquilino consented to the described sanctions and to the entry of findings that at his recommendation, a customer sold variable annuities to fund the purchase of a fixed and variable annuity in a Section 1035 Exchange. The findings stated that in the course of submitting the annuity application for approval to the insurance company, Aquilino signed the customer's name on the annuity application and on requests for transfer or exchange of assets forms.

The suspension was in effect from September 7, 2010, through October 6, 2010. **(FINRA Case #2009016272901)**

Manuel Peter Asensio (CRD #1148811, Registered Principal, Miami, Florida) was barred by FINRA in July 2006 from association with any FINRA member in any capacity. The bar was based on findings that Asensio failed to fully respond to FINRA requests for information. In June 2010, the SEC dismissed Asensio's appeal from FINRA's order as untimely. On August 4, 2010, the SEC denied Asensio's motion for reconsideration of its dismissal order.

This decision has been appealed to the U.S. Court of Appeals for the Eleventh Circuit, and the bar is in effect pending consideration of the appeal. **(FINRA Case #CAF20030067)**

Richard Michael Barber (CRD #1636416, Registered Supervisor, Chatham, New Jersey) submitted an Offer of Settlement in which he was fined \$5,000, barred from association with any FINRA member in any principal capacity and suspended from association with any FINRA member in any capacity for one month. The fine must be paid either immediately upon Barber's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Barber consented to the described sanctions and to the entry of findings that he failed to reasonably supervise the activities of a registered representative who entered transactions at the direction of an unregistered individual. The findings stated that Barber facilitated this misconduct by giving the unregistered individual unfettered access to a branch office and supplying him with a work station, including a desk, phone and Internet access. The findings also stated that Barber failed to enforce his member firm's written supervisory procedures regarding, among other things, delegation of duties, suitability reviews and reviews for concentrated positions.

The suspension was in effect from August 16, 2010, through September 15, 2010. **(FINRA Case #2008015310801)**

Douglas Joe Barker (CRD #1290719, Registered Supervisor, Garland, Texas) was fined \$125,000 and suspended from association with any FINRA member in any capacity for six months. The fine shall be due and payable if and when Barker returns to the securities industry. The sanctions were based on findings that Barker recommended and effected unsuitable short-term sales in customers' accounts of closed-end funds less than six months after purchasing them at an initial public offering. The findings stated that Barker did not possess a reasonable basis to believe his recommendations and that the resulting transactions were suitable for his customers whose investment objectives were conservative to moderate. The findings also stated that the sales accounted for customer losses exceeding \$350,000, for which he earned commissions totaling approximately \$100,000.

The suspension is in effect from August 16, 2010, through February 15, 2011. **(FINRA Case #2007009520202)**

Cislyn Louise Beckford (CRD #3195313, Registered Representative, Springfield Gardens, New York) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Beckford consented to the described sanction and to the entry of

findings that she misappropriated over \$8,200 in funds belonging to her member firm's customer, from the customer's retail bank accounts, for her own personal use. The findings stated that by misappropriating customer funds for her personal use, Beckford failed to observe high standards of commercial honor and just and equitable principles of trade. The findings also stated that the retail bank reimbursed the customer's accounts for the missing funds and Beckford reimbursed the retail bank. **(FINRA Case #2009020374801)**

David Anthony Bertaux (CRD #4119925, Registered Representative, Apex, North Carolina) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for 30 business days. The fine must be paid either immediately upon Bertaux' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Bertaux consented to the described sanctions and to the entry of findings that he exercised discretion when entering orders in customers' accounts without the customers' written authorization and his member firm's acceptance of the accounts as discretionary. The findings stated that the firm had a policy prohibiting the use of discretion in customer accounts and Bertaux was made aware of the firm's policy. The findings also stated that some of the transactions Bertaux entered when using discretion occurred after he was advised of the firm's policy prohibiting its use.

The suspension is in effect from September 7, 2010, through October 18, 2010. **(FINRA Case #2008016282901)**

Michael R. Brents (CRD #4437074, Registered Representative, Church Hill, Tennessee) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Brents has agreed to continue to cooperate with FINRA in an on-going investigation relating to this matter. Without admitting or denying the findings, Brents consented to the described sanction and to the entry of findings that he misappropriated funds when one of his customers wrote a \$4,308 check payable to the insurance company affiliate of his member firm for insurance policies and gave the check to Brents as agent for the insurance company. The findings stated that Brents gave an insurance binder/receipt to the customer for the policies, called the insurance company and requested a quote for the largest policy, a business vehicle policy. The findings also stated that Brents entered the other policies onto the company's system, did not enter the payment for the business vehicle policy into the automated system and did not deposit the premiums into the insurance company bank account. The findings also included that Brents deposited the check into his own business account, paid premiums to the insurance company on two of the customer's insurance policies and used the remainder to pay his business expenses.

FINRA found that a business vehicle policy was never issued because of a problem: there had been a year-and-two-month lapse in the customer's prior insurance policy. FINRA also found that the customer's check was made out to the insurance company and Brents issued a receipt to the customer, when he should have entered the whole premium onto the automated system, deposited the premium payment into the insurance company bank account and, when the policy did not issue, the insurance

company would have reimbursed the customer. In addition, FINRA determined that the insurance company refunded the customer the unused portion of the premium. (FINRA Case #2008016460501)

Artha Lee Brooks (CRD #4528122, Registered Principal, Ocean Springs, Mississippi) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Brooks consented to the described sanction and to the entry of findings that he accepted \$5,000 in cash from a customer, against his member firm's procedures, and gave the customer a receipt indicating receipt of the cash with a note indicating "money market." The findings stated that the customer's account statements reflected no investment of the cash in a money market fund or any other type of investment and that the customer, through his attorney, filed a written complaint with the firm alleging that Brooks had misappropriated the cash. The findings also stated that Brooks failed to respond to FINRA requests for information. (FINRA Case #2008015413103)

Kenneth Brown (CRD #1325762, Registered Principal, Coral Springs, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000, suspended from association with any FINRA member in any principal capacity for one year and required to complete eight hours of AML training. The fine must be paid either immediately upon Brown's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. The AML training shall be completed prior to Brown's reassociation with a FINRA member firm or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Brown consented to the described sanctions and to the entry of findings that acting in his capacity as the AMLCO, he failed to implement policies and procedures reasonably designed to detect and cause the reporting of suspicious transactions under 31 USC 5318(g) and implementing regulations. The findings stated that Brown failed to detect and investigate suspicious activities and/or other activities in which red flags of money laundering were present and filing a SAR, when appropriate. The findings also stated that Brown failed to follow up on red flags indicating that a registered representative was selling unregistered shares of a stock on behalf of the CEO of the issuer, and did not follow up to ascertain what, if any, steps the representative took to inquire about the transactions. The findings also included that Brown was notified by his member firm's clearing firm that it was closing the CEO's account and would allow only liquidating (sell) transactions, but although Brown responded to the clearing firm, he did not adequately follow up to ensure additional purchase transactions did not take place—which did occur.

FINRA found that as his firm's CCO, Brown failed to supervise firm personnel who had been delegated responsibility for reporting, and timely reporting, customer complaints under NASD Rule 3070(c), and to make Forms U4 and U5 amendments with FINRA to report disclosable events.

The suspension is in effect from September 7, 2010, through September 6, 2011. (FINRA Case #2007007151703)

Rodney Louis Bruck (CRD #1670280, Registered Representative, Wilsonville, Oregon) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Bruck consented to the described sanction and to the entry of findings that a customer wrote a check for \$7,000 payable directly to Bruck with the intent to establish an “emergency fund.” The findings stated that Bruck deposited the check into a business account he owned and operated and wrote checks to the customer, or to another entity on her behalf, from his business account; annotations on the checks indicate these withdrawals were from the customer’s “emergency fund.” The findings also stated that Bruck did not seek approval from his supervisor, nor anyone with his member firm, to commingle the customer’s funds in accounts under his personal control. **(FINRA Case #2009017310501)**

Paul Edward Burkemper (CRD #2222925, Registered Principal, St. Louis, Missouri) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Burkemper consented to the described sanction and to the entry of findings that he engaged in private securities transactions when he sold \$1,898,975 in ownership interests of an entity to individuals, who included his member firm’s customers. The findings stated that Burkemper sold the ownership interests without providing written notice to the firm of these sales and without receiving the firm’s written approval or acknowledgement for these sales. **(FINRA Case #2009019006201)**

Richard Albert Bush (CRD #2457963, Registered Principal, Coral Springs, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any principal capacity for six months. The fine must be paid either immediately upon Bush’s reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Bush consented to the described sanctions and to the entry of findings that, in his capacity as Director of Compliance in his member firm’s trading department (DCTD), he failed to adequately supervise registered representatives who sold unregistered securities on certain clients’ behalf in violation of Section 5 of the Securities Act of 1933. The findings stated that Bush failed to take adequate steps to ensure that the registered representatives ascertained whether the securities being sold were registered, how and from whom the customers obtained their shares, whether and when the shares were paid for, and whether the transactions were subject to any exemption from registration. The findings also stated that as his firm’s Designated Securities Compliance Officer (DSCO), Bush was responsible for evaluating and supervising designated securities (penny stock) transactions to evaluate whether they were part of a “pump-and-dump” or other fraudulent scheme; evaluating and investigating suspicious transactions when numerous shares were deposited and immediately sold; conducting background checks on customers who were expected to engage in a significant amount of designated securities transactions to determine whether the customer had a criminal or securities disciplinary background, or had an affiliation with the issuer; meeting with customers to ensure his firm had the requisite knowledge about customers’ background and trading intentions; and reporting to the firm’s CCO and AMLCO any findings regarding issuers or customers and to certify

monthly that he had reviewed, approved and monitored all accounts that conducted a significant amount of transactions in designated securities. The findings also included that Bush failed to take identifiable steps to ascertain relevant information regarding customers' disciplinary history and how they obtained the shares being deposited, and did not believe that customers' background or numerous transactions constituted red flags.

The suspension is in effect from September 7, 2010, through March 6, 2011.
(FINRA Case #2007007151702)

Robin Fran Bush (CRD #1994431, Registered Principal, Coral Springs, Florida) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$10,000, suspended from association with any FINRA member in any principal capacity for one year and required to complete eight hours of AML training prior to reassociation with a member firm or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Bush consented to the described sanctions and to the entry of findings that acting in her capacity as her member firm's AMLCO, she failed to implement policies and procedures reasonably designed to detect and cause the reporting of suspicious transactions under 31 USC 5318(g) and implementing regulations thereunder. The findings stated that Bush failed to ensure her firm's overall compliance with NASD Rule 3011 by detecting and investigating suspicious activities or other activities in which red flags of money laundering were present and, when appropriate, filing SARs. The findings also stated that as her firm's CCO, Bush failed to adequately supervise firm AMLCOs and ensure they were performing their functions pursuant to the firm's AML program and written procedures, and failed to ensure they were properly investigating suspicious activities, recommending and filing SARs or documenting the rationale for concluding that a SAR was unnecessary. The findings also included that Bush failed to adequately supervise the firm's DSCO to ensure he was taking adequate investigative steps to ascertain whether certain customer transactions were part of a manipulative or fraudulent scheme, conducting adequate criminal or securities disciplinary background checks, and conducting adequate due diligence to ascertain whether customers engaging in significant designated securities transactions had any affiliations with the issuers; in fact, many customers had criminal or securities disciplinary backgrounds or had close ties to issuers whose shares they were trading. FINRA found that as her firm's CCO, Bush failed to ensure her firm reported, and timely reported, customer complaints to FINRA. FINRA also found that Bush failed to ensure her firm filed, and timely filed, Forms U4 and U5 with FINRA to report disclosable events.

The suspension is in effect from September 7, 2010, through September 6, 2011.
(FINRA Case #2007007151701)

Duane Alan Carr (CRD #2658495, Registered Representative, Raleigh, North Carolina) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Carr's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application

or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Carr consented to the described sanctions and to the entry of findings that he opened accounts with his member firm for customers, without speaking with the customers in connection with opening their accounts or receiving the customers' direct authorization to liquidate their accounts, but relied on directions received from third parties. The findings stated that Carr exercised discretion in the customers' accounts when he executed transactions without his member firm's written authorization or acceptance of the accounts as discretionary. The findings also stated that Carr engaged in outside business activity for compensation, outside the scope of his business activities with his firm, relating to opening the customers' accounts through third-party intermediaries. The findings also included that Carr engaged in the outside business activity without providing prompt written notice to his member firm of the outside business arrangement and of the compensation he received from the arrangement.

The suspension is in effect from September 7, 2010, through March 6, 2011.

(FINRA Case #2008013303601)

Michael Wayne Claiborne (CRD #2624787, Registered Principal, Anchorage, Alaska) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Claiborne consented to the described sanction and to the entry of findings that he asked a customer if he could borrow approximately \$600 to pay for his travel expenses and the customer agreed, using his credit card to pay for the expenses. The findings stated that Claiborne failed to notify his member firm of the loan, which he repaid in full, and was contrary to his firm's procedures prohibiting registered representatives from borrowing money from customers. The findings also stated that Claiborne received a \$1,000 check with the payee line left blank from the customer to deposit into the customer's Roth Individual Retirement Account (IRA) with the firm; Claiborne made the check payable to himself and deposited it into his personal checking account and used the proceeds for his own use and benefit, thereby converting the funds. The findings also included that Claiborne admitted to his supervisor that he had deposited the check into his own account and subsequently returned the funds to the customer. **(FINRA Case #2009017323101)**

George Stephen Conwill (CRD #1387805, Registered Principal, Dripping Springs, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Conwill consented to the described sanction and to the entry of findings that, on his member firm's behalf, he approved prior to execution, the sale (purchase) of securities to (from) customers where the firm, through other employees, failed to sell (buy) such securities at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each security at the time of the transaction, the expense involved and that the firm was entitled to a profit. The findings stated that the excessive markups and markdowns totaled \$1,254,239 for the transactions; in some of the transactions, the markups and markdowns exceeded 10 percent and some of the transactions were for the accounts of a high-net-worth

senior customer of the firm. The findings also stated that Conwill neither directed any firm employees to disclose, nor did he disclose, the markups and markdowns to the firm's customers. The findings also included that Conwill failed to take reasonable steps to ensure that the firm established and maintained an adequate supervisory system, and he otherwise failed to reasonably and properly supervise the firm and its registered representatives to detect and prevent violations of NASD Rules 2110 and 2440, and NASD Interpretative Material 2440. **(FINRA Case #2005003644601)**

Michael Alan Dembin (CRD #1874815, Registered Principal, Parkland, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$7,500 and suspended from association with any FINRA member in any capacity for 45 days. The fine must be paid either immediately upon Dembin's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Dembin consented to the described sanctions and to the entry of findings that he effected transactions in a trust account without the trustee's authorization. The findings stated that the original trustee had died before Dembin commenced effecting the transactions, and he did not have the original trustee's or any successor trustee's authorization to complete the transactions.

The suspension was in effect from August 16, 2010, through September 29, 2010. **(FINRA Case #2009018019301)**

Charles Patrick DiDomenico (CRD #4514236, Registered Representative, Baldwinsville, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for five business days. Without admitting or denying the findings, DiDomenico consented to the described sanctions and to the entry of findings that he requested and received an answer key to a state long-term care continuing education (LTC CE) exam from employees at his member firm on two occasions. The findings stated that there is no evidence that DiDomenico distributed these answer keys to anyone else.

The suspension was in effect from September 7, 2010, through September 13, 2010. **(FINRA Case #2009021029612)**

Stephen Paul Endlar (CRD #201049, Registered Representative, Brookline, Massachusetts) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 business days. Without admitting or denying the findings, Endlar consented to the described sanctions and to the entry of findings that he exercised discretion in customers' accounts. The findings stated that Endlar's exercise of discretion had been conferred orally by the customers, but he did not obtain the customers' written authorization or his firm's written acceptance of the accounts as discretionary.

The suspension will be in effect from October 18, 2010, through November 29, 2010. **(FINRA Case #2009018180501)**

Harry Friedman (CRD #2548017, Registered Principal, Woodmere, New York) was fined \$77,500 and suspended from association with any FINRA member in any capacity for nine months after the NAC found that Friedman participated in private securities transactions for compensation without providing written notice or obtaining prior written approval from his member firm. The NAC made the findings and imposed the sanctions after Friedman appealed an OHO decision.

Friedman appealed the NAC's decision to the SEC, and the sanctions the NAC imposed are not in effect pending consideration of the appeal. **(FINRA Case #2005000835801)**

Thomas R. Gilman (CRD #4209284, Registered Representative, Henderson, Nevada) was fined \$60,000 and suspended from association with any FINRA member in any capacity for 15 months. The sanctions were based on findings that Gilman participated in private securities transactions involving the purchase by his member firm's customer of convertible debentures another company offered, and these transactions were outside the regular course and scope of Gilman's employment with the firm. The findings stated that Gilman first received a \$50,000 finder's fee and failed to provide the firm with prior written notice or receive the firm's written permission. The findings also stated that Gilman completed and submitted firm compliance questionnaires and, in response to the question concerning whether he sold any products or services not marketed through his firm, he answered "no" and provided incomplete information to his branch manager in response to an inquiry about activities in the customer's account.

The suspension is in effect from September 7, 2010, through December 6, 2011. **(FINRA Case #2008013474801)**

Scott Howard Goldstein (CRD #1630008, Registered Principal, Delray Beach, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$100,000, suspended from association with any FINRA member in any principal capacity for one year and required to complete eight hours of AML training. Goldstein must register within 60 days of issuance of the AWC for the AML training and provide FINRA with proof of evidence of registration within 10 days of registration, attend such training within six months of issuance of the AWC and provide FINRA with evidence of completion of training within 10 days of completion. Without admitting or denying the findings, Goldstein consented to the described sanctions and to the entry of findings that, as his member firm's CEO, he knew, or should have known of substantive violations of FINRA rules and the potential inadequacy of firm compliance personnel. The findings stated that the firm's AML compliance program, as its CCOs and AMLCOs administered, did not fully comply with the requirements of the BSA and regulations thereunder, and therefore violated NASD Rule 3011. The findings also stated that Goldstein knew through FINRA exit conference reports, firm responses to the reports and the SEC's written findings, that the firm, through its CCOs and AMLCOs, was not in compliance, and FINRA expressly identified firm customers who had problematic backgrounds and/or engaged in suspicious transactions but Goldstein did not take affirmative steps to ensure that the CCOs/AMLCOs were performing the AML functions delegated to them. The findings also included that Goldstein knew that one of the CCOs/AMLCOs had a FINRA disciplinary history and had engaged in supervisory deficiencies.

FINRA found that the firm, through its CCOs/AMLCOs, failed to report numerous customer complaints reportable under NASD Rule 3070(c) and other reportable events under 3070(b), failed to make Forms U4 or U5 amendments to report disclosable events in numerous instances, and failed to timely amend a Form U4 or U5 in numerous other instances. FINRA also found that Goldstein knew through FINRA exit conference reports, firm responses to the reports and SEC written findings that the firm, through the CCOs/AMLCOs, was not making the necessary filings but did not take any affirmative steps to ensure that they were performing reporting functions.

The suspension is in effect from September 20, 2010, through September 19, 2011.
(FINRA Case #2007007151706)

Darryl Wayne Golter (CRD #4883979, Registered Representative, Allen, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Golter consented to the described sanction and to the entry of findings that he failed to forward insurance premium payments of \$102,635 made by customers to insurance companies as he was required to do, but instead deposited the funds into his personal account and used the money for his personal activities without the customers' or the insurance companies' permission or authority. The findings stated that, as a result, when a hurricane struck Texas, Golter's customers filed insurance claims and discovered they were not entitled to coverage; however, the insurance companies provided assistance with property losses and paid out approximately \$713,000 in damage claims and refunded premiums. The findings also stated that Golter failed to appear for a FINRA on-the-record interview. (FINRA Case #2008015003201)

Jamie Sutton Hardy (CRD #4753879, Associated Person, Raleigh, North Carolina) submitted a Letter of Acceptance, Waiver and Consent in which she was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Hardy consented to the described sanction and to the entry of findings that she misappropriated \$33,445.82 from her supervisor's personal checking account for her own personal use. The findings stated that Hardy misappropriated her supervisor's money by writing checks to herself as reimbursement for expenses her office never actually incurred. The findings also stated that she misappropriated approximately \$2,000 in cash a third party made to her supervisor. The findings also included that Hardy admitted to misappropriating the funds and paid \$32,000 back to her supervisor in restitution, and the firm terminated her employment. (FINRA Case #2009018407601)

Nicholas Bryan Hemby (CRD #3248689, Registered Representative, Bridgehampton, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Hemby consented to the described sanction and to the entry of findings that, while employed as a personal banker by a retail bank and registered with a member firm, Hemby withdrew and misappropriated \$800 from a bank customer's account without the customer's consent. (FINRA Case #2010022588301)

Erez Hen aka Eric O'Hanna (CRD #4086802, Registered Representative, New York, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10

business days. Without admitting or denying the findings, Hen consented to the described sanctions and to the entry of findings that he sold shares of one security in a customer's account and, on the same day, purchased shares in another security in the customer's account, both without the customer's knowledge, authorization or consent.

The suspension was in effect from September 7, 2010, through September 20, 2010.
(FINRA Case #2008014647401)

Andrew Ann Kow Hsu (CRD #1720381, Registered Representative, Los Altos, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Hsu's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Hsu consented to the described sanctions and to the entry of findings that he failed to provide prompt written notification to his member firm of outside securities accounts he held at other member firms. The findings stated that Hsu did not notify the executing firms of his association with his firm and falsely certified on forms to the firm that he had disclosed all of his outside brokerage accounts.

The suspension is in effect from September 7, 2010, through December 6, 2010.
(FINRA Case #2008014479001)

Daniel Hope Hughes (CRD #4156384, Registered Representative, Las Vegas, Nevada) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 days. The fine must be paid either immediately upon Hughes' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Hughes consented to the described sanctions and to the entry of findings that he engaged in outside business activities without providing prompt written notice to his member firm. The findings stated that Hughes and his wife formed an entity for the purpose of holding rental property and, in a series of transactions, the entity loaned a total of \$40,000 to a payday loan operation for which the entity received \$8,000 in interest payments. The findings also stated that Hughes was introduced to the loan program by firm customers, and the entity, acting through Hughes, assigned its loan to a firm customer and did so at an \$8,000 discount.

The suspension was in effect from September 7, 2010, through September 16, 2010.
(FINRA Case #2008012817301)

Timothy John Imhof (CRD #2191854, Registered Representative, Staten Island, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for twelve months. The fine must be paid either immediately upon Imhof's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Imhof consented to the described sanctions and to the entry of findings that he accepted \$3,000 in cash a coworker handed to him

on an outside stock loan finder's behalf, and failed to disclose his acceptance of this money to his supervisor or others at his member firm. The findings stated that in exchange for his receipt of the payment, Imhof provided the finder with favorable treatment by his firm that he otherwise would not have provided. The findings also stated that Imhof gave the finder a "first look" at the firm's securities inventory available for lending and the firm's needs for securities to borrow; at times, Imhof entered into transactions favorable to the finder if the finder could match his competitors' terms for specific securities lending transactions his firm executed. The findings also included that as consideration for the payment, Imhof occasionally offered the finder the opportunity to locate various securities that his firm wished to borrow or lend at particular rates before contacting competing finders to see if a better rate existed for his firm. FINRA found that Imhof arranged for his firm to pay finders in transactions for which he knew, or should have known, that the finders performed no services; the payments were unwarranted and improper. FINRA also found that Imhof arranged for his firm to make payments to finders by noting on trade tickets and the firm's lending transaction reporting system that certain entities acted as finders or were owed finder's fees, causing his firm's books and records to be in violation of NASD Rule 3110, Section 17(a) of the Securities Exchange Act of 1934, and Rules 17a-3 and 17a-4 thereunder because the recipients of the funds deemed to be finder's fees did not provide any finder-related services.

The suspension is in effect from August 16, 2010, through August 15, 2011. (FINRA Case #2007010580902)

David Alan Kossak (CRD #1137212, Registered Representative, Jacksonville, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$15,000 and suspended from association with any FINRA member in any capacity for one year. The fine must be paid either immediately upon Kossak's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Kossak consented to the described sanctions and to the entry of findings that, while registered with a member firm, he directed his assistant to sign a customer's name to a document related to a fixed insurance contract without the customer's knowledge or authorization. The findings stated that Kossak had sold the fixed insurance contract to the customer while at a previous member firm and the customer was not a customer of his present firm. The findings also stated that the assistant, acting at Kossak's direction, forged and notarized required signatures on the document, which Kossak subsequently submitted as authentic. The findings also included that the customer complained of fraud and forgery to the insurance company, which notified Kossak of the complaint, but he failed to update his Form U4 within 30 days of learning of the complaint.

The suspension is in effect from August 16, 2010, through August 15, 2011. (FINRA Case #2008014690901)

James Michael Lindahl (CRD #4513602, Registered Representative, Eden Prairie, Minnesota) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 15 business days. The fine must be paid either immediately upon Lindahl's

reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Lindahl consented to the described sanctions and to the entry of findings that he executed transactions in a customer's account, changing mutual-fund allocation to more conservative holdings, without the customer's consent.

The suspension was in effect from September 7, 2010, through September 27, 2010.
(FINRA Case #2009017666301)

Stephen Dee Linge (CRD #4604676, Registered Representative, Murray, Utah) submitted a Letter of Acceptance, Waiver and Consent in which he was suspended from association with any FINRA member in any capacity for two years. In light of Linge's financial status, no monetary sanction was imposed. Without admitting or denying the findings, Linge consented to the described sanction and to the entry of findings that he participated in private securities transactions through the sales of securities totaling approximately \$395,000 in the form of promissory notes issued by a company, to which he referred firm customers and received monetary compensation from the company's affiliate for his referrals. The findings stated that Linge failed and neglected to give written notice to his firm of his intention to engage in such activities, and the firm never authorized Linge to engage in such activities. The findings also stated that Linge engaged in business activity outside the scope of his association with his firm for which he received monetary compensation, and failed to provide the firm with prompt written notice of this outside business activity. The findings also included that Linge received compensation totaling \$15,600 as a result of the above-mentioned outside business activities and private securities transactions.

The suspension is in effect from September 7, 2010, through September 6, 2012.
(FINRA Case #2008015795401)

Steven Michael Mandala (CRD #4726839, Registered Representative, Napanoch, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Mandala consented to the described sanction and to the entry of findings that he completed an employment application with a member firm in which he falsely represented his annual compensation at a previous securities firm and falsely represented the customer assets he managed and the revenues generated. The findings stated that Mandala provided the firm with numerous fictitious documents supporting his claims and, based upon his false representations, he obtained an upfront loan of \$780,000 from the firm. The findings also stated that when the firm learned of his falsified and altered documents, it terminated Mandala's employment and requested payment of the promissory note, which he agreed to pay on a future date. (FINRA Case #2010022904801)

Kevin Bradley Martin (CRD #1704674, Registered Principal, El Dorado Hills, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$20,000 and suspended from association with any FINRA member in any principal capacity for six months. Without admitting or denying the findings, Martin consented to the described sanctions and to the entry of findings that he was supervisor of his member

firm's sales and trading operations and direct supervisor of a registered representative who effected pre-arranged and fictitious trades in collateralized mortgage obligations through the firm's proprietary trading account. The findings stated that the transactions appeared to terminate the firm's ownership of the securities and to generate profits for the firm and the trader, but they were sham transactions because the firm remained the beneficial owner of the securities and the purported transaction profits concealed actual and substantial losses. The findings also stated that the registered representative was able to accomplish and maintain his scheme because Martin reviewed his activity on a daily basis rather than in a manner that would evidence trading patterns over time and expose the firm's losses and risk. The findings also included that Martin was responsible for the firm's overall compliance with applicable laws, rules and regulations and for implementing the firm's supervisory policies, practices and procedures, and Martin failed to supervise the registered representative in a manner reasonably designed to achieve compliance with applicable laws, rules and regulations. FINRA found that Martin failed to cause the firm to preserve electronic communications.

The suspension is in effect from September 20, 2010, through March 19, 2011.
(FINRA Case #2008012444203)

Carmen Lea McCranie (CRD #4139628, Registered Representative, Saint Simons Island, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which she was censured, fined \$5,000 and suspended from association with any FINRA member in any capacity for five months. The fine must be paid either immediately upon McCranie's reassociation with a FINRA member firm following her suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, McCranie consented to the described sanctions and to the entry of findings that she backdated her signature on a fixed annuity acknowledgement form, changed the first page of the form to make it appear as though the customer signed an acknowledgement form reflecting different rates, and caused the altered and backdated form to be sent to her member firm's compliance department. The findings stated that McCranie did not have the customer's or her firm's permission or authority to backdate or change the form, and McCranie did not benefit from the alteration of the document. The findings also stated that the firm provided the customer with an annuity with the older rates that the customer had intended to purchase.

The suspension is in effect from August 16, 2010, through January 15, 2011.
(FINRA Case #2009016547201)

Dante Perron McDowell (CRD #4450915, Registered Representative, Tucker, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, McDowell consented to the described sanctions and to the entry of findings that he exercised discretion in a customer's account by executing transactions without the customer's written authorization and his firm's acceptance of the account as discretionary.

The suspension was in effect from September 7, 2010, through September 20, 2010.
(FINRA Case #2009018454101)

Adam George Meister (CRD #4354400, Registered Representative, Evans, Georgia) was fined \$20,000, suspended from association with any FINRA member in any capacity for 15 months and required to requalify by exam before re-entering the securities industry. The fine is due and payable when and if Meister seeks to re-enter the securities industry. The sanctions were based on findings that Meister engaged in a private securities transaction without his member firm's prior notification and completed a firm compliance questionnaire stating that he understood he could not sell securities away from the firm and falsely represented that he had not engaged in unapproved transactions. The findings stated that Meister omitted material information in connection with the sale of securities with the intent to deceive or defraud, and failed to provide the customer with a stock certificate or receipt for the full amount of her investment. The findings also stated that the customer complained to Meister's member firm after the stock issuer ceased operations and liquidated its assets, and the firm settled the customer's complaint. The findings also included that Meister's recommendations to the customer were unsuitable in light of her financial situation and investment needs.

The suspension is in effect from August 16, 2010, through November 15, 2011
(FINRA Case #2007011919001)

Lisa Renee Mello (CRD #1465948, Registered Principal, Lafayette, California) submitted a Letter of Acceptance, Waiver and Consent in which she was fined \$8,000 and suspended from association with any FINRA member in a Financial and Operations Principal (FINOP) capacity for six months. Without admitting or denying the findings, Mello consented to the described sanctions and to the entry of findings that she served as her member firm's FINOP and was responsible for monitoring the firm's financial condition to determine whether its net capital was sufficient to conduct a securities business. The findings stated that one of the firm's registered representatives effected trades in collateralized mortgage obligations (CMOs) through the firm's proprietary trading account. The findings also stated that the transactions appeared to remove beneficial ownership of the CMOs from the firm, but they were sham transactions because the securities remained in the firm's inventory. The findings included that the registered representative was able to accomplish and maintain his scheme because Mello and others at the firm reviewed his activity on a daily basis rather than in a manner that would evidence trading patterns over time and expose the firm's losses and risk.

FINRA found that as a result of the registered representative's activity and the firm's method of monitoring it, the firm conducted a securities business on multiple days while failing to maintain its required minimum net capital and, because Mello failed to discern the true effect of the registered representative's trading on the firm's net capital, she allowed the firm to conduct a securities business on multiple occasions while in violation of SEC Exchange Act Rule 15c3-1.

The suspension is in effect from September 20, 2010, through March 19, 2011.
(FINRA Case #2008012444202)

Matthew Norman O'Brien (CRD #4655082, Registered Representative, West Branch, Michigan) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, O'Brien consented to the described sanction and to the entry of findings that he signed the name of a customer of his member firm on a Letter of Authorization form and then used the form to effect a transfer of \$3,000 from the customer's brokerage account to O'Brien's personal bank account without the customer's knowledge or approval. The findings stated that O'Brien borrowed \$13,000 from the customer, who was not related to O'Brien and contrary to his member firm's written procedures prohibiting its registered persons from entering into lending agreements with customers unless the customer was an immediate family member. The findings also stated that O'Brien executed a trade in the customer's account without the customer's knowledge or consent. The findings also included that O'Brien failed to respond to FINRA requests for information and documents. **(FINRA Case #2009018063001)**

Leon Parvzian (CRD #1861143, Registered Principal, Las Colinas, Texas) submitted a Letter of Acceptance, Waiver and Consent in which he was barred from association with any FINRA member in any capacity. Without admitting or denying the findings, Parvzian consented to the described sanction and to the entry of findings that he failed to respond to FINRA requests for information and documents. **(FINRA Case #2008013666102)**

James Robert Pecoraro (CRD #2440231, Registered Representative, Huntington, New York) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for 30 days. Without admitting or denying the findings, Pecoraro consented to the described sanctions and to the entry of findings that he engaged in a pattern of trading activity in a customer's account that was excessive in light of the customer's objectives, financial situation and needs.

The suspension is in effect from October 4, 2010, through November 2, 2010. **(FINRA Case #2008013187801)**

Purvis Gerard Presha (CRD #5433332, Associated Person, Nashville, Tennessee) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Presha failed to respond to FINRA requests for information. **(FINRA Case #2009018773301)**

Jeffrey David Rosen (CRD #2188720, Registered Principal, Dunwoody, Georgia) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000, suspended from association with any FINRA member in any capacity for three months, and suspended from association with any FINRA member in any principal and/or supervisory capacity for six months. The suspensions shall run concurrently. The fine must be paid either immediately upon Rosen's reassociation with a FINRA member firm following the three-month suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier.

Without admitting or denying the findings, Rosen consented to the described sanctions and to the entry of findings that, because certain states began requiring individuals to successfully complete a LTC CE course before selling long-term care insurance products to retail customers, Rosen created an answer key for a long-term care exam for one state and also instructed some of his direct reports to create answer keys for exams. The findings stated that Rosen distributed answer keys to the exams to firm employees and instructed his direct reports to obtain from and provide answer keys to other firm employees; the direct reports provided the answers to financial advisors at other firms and Rosen was aware that they had done so. The findings also stated that Rosen failed to supervise his direct reports, in that certain registered individuals who reported to him created answer keys to LTC CE exams, obtained from, and provided answer keys to, other employees, provided the answers to financial advisors and Rosen was aware that they had done so.

The suspension in any capacity is in effect from August 16, 2010, through November 15, 2010. The suspension in any principal and/or supervisory capacity is in effect from August 16, 2010, through February 15, 2011. **(FINRA Case #2009021029611)**

Hugh Alexander Ross Sr. (CRD #3130376, Registered Representative, Wenatchee, Washington) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for one year. Without admitting or denying the findings, Ross consented to the described sanctions and to the entry of findings that he borrowed \$100,000 from firm customers—a husband and wife—contrary to firm written procedures, and he did not obtain his member firm’s written pre-approval for the loan. The findings stated that Ross falsely claimed to the firm’s affiliate that the funds were not borrowed, and falsified a letter in support of that claim by affixing one of the customer’s signature on the letter. The findings also stated that Ross falsely certified on a firm compliance questionnaire that he had not borrowed money from customers.

The suspension is in effect from September 20, 2010, through September 19, 2011. **(FINRA Case #2008016154401)**

Nicholas Michael Rubino (CRD #5327284, Registered Representative, Hoffman Estates, Illinois) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Rubino cheated on the Series 7 exam by leaving the testing lab during an unscheduled break during the exam and reviewing his Series 7 study guide. **(FINRA Case #2008014873201)**

George Peter Savickas (CRD #1015582, Registered Representative, Cape Coral, Florida) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 30 business days. The fine must be paid either immediately upon Savickas’ reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Savickas consented to the described sanctions and to the entry of findings that he received checks totaling \$50,000 made payable to his insurance business from a customer and used the money to pay operating expenses for his insurance business, without his member firm’s knowledge

and consent. The findings stated that the firm's written supervisory procedures require review and written approval of any loans between a registered representative and a customer before the loan is made. The findings also stated that Savickas did not disclose the loan to the firm nor receive the firm's approval of the loan.

The suspension is in effect from September 7, 2010, through October 18, 2010.
(FINRA Case #2009018879901)

John R. Scholz (CRD #2447665, Registered Representative, Hoboken, New Jersey) submitted an Offer of Settlement in which he was fined \$15,000 and suspended from association with any FINRA member in any capacity for seven months. The fine must be paid either immediately upon Scholz' reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the allegations, Scholz consented to the described sanctions and to the entry of findings that he engaged in outside business activities without providing prompt written notice to his member firm. The findings stated that Scholz lent money from a brokerage account he maintained at a firm to customers for interest as compensation. The findings also stated that Scholz opened securities accounts at other member firms, failed to provide his firm with written notification and failed to provide the other member firms with written notification about his association with a member firm prior to opening the accounts. The findings also included that Scholz falsely answered "no" to questions on firm forms asking if he had conducted any outside business activity or if he had outside brokerage accounts. FINRA found that Scholz finally disclosed his outside accounts to his firm during a FINRA investigation of the matter.

The suspension is in effect from September 7, 2010, through April 6, 2011. **(FINRA Case #2007010853901)**

Robert A. Signore (CRD #5401120, Registered Representative, Yonkers, New York) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Signore prepared checks totaling \$233,732.40, signed the customer's name to the checks, and used the checks to purchase a variable annuity for the customer's account, without the customer's knowledge or authorization. The findings stated that after detecting the unauthorized purchase, the customer complained to the firm, which cancelled the transaction and returned the funds. The findings also stated that Signore's purchase of the annuity generated a \$15,000 commission, of which \$11,000 went to him. **(FINRA Case #2008015760901)**

Michael Scott Silva (CRD #3056607, Registered Supervisor, Petaluma, California) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for 10 business days. Without admitting or denying the findings, Silva consented to the described sanctions and to the entry of findings that he recommended that a customer invest approximately \$140,000 in a principal-protected note (PPN) and caused the purchase of the PPN in the customer's account without having reasonable grounds for believing that the recommendation was suitable for the customer in light of the

customer's annual income and total net worth. The findings stated that the PPN issuer filed for bankruptcy protection and defaulted on the PPN, resulting in the PPN's value dropping precipitously, and the customer ultimately sold the PPN for approximately \$8,800.

The suspension was in effect from September 20, 2010, through October 1, 2010.
(FINRA Case #2009016952101)

John A. Sobrinski (CRD #5148587, Registered Representative, Dunellen, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for three months. The fine must be paid either immediately upon Sobrinski's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Sobrinski consented to the described sanctions and to the entry of findings that he signed a manager's initials on the cover sheet of facsimiles sent to customers, without the manager's authorization or consent. The findings stated that the documents Sobrinski sent had been previously sent to those customers with management approval.

The suspension is in effect from August 16, 2010, through November 15, 2010.
(FINRA Case #2009019671801)

Alan Ray Tatgenhorst (CRD #1613125, Registered Representative, Tucson, California) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Tatgenhorst failed to respond to FINRA requests for information and documents. The findings stated that Tatgenhorst borrowed a total of \$33,028 from his member firm's customers, signed a promissory note to the customers documenting the existence of the loans, at a time when his member firm did not have written procedures allowing borrowing money from customers and Tatgenhorst did not request or obtain permission from the firm to enter into the loan transactions, but later admitted the facts to FINRA and submitted a written statement to his firm admitting he borrowed the money from the customers. The findings also stated that the customers filed a civil action against Tatgenhorst to recover the loan balance, which led to the court entering judgment against him in the amount of \$33,028, plus interest. The findings also included that Tatgenhorst did not pay the judgment and his firm paid the customers \$7,000 in settlement of any claims they had against the firm.
(FINRA Case #2008014828301)

Julie Sheau Lin Ting (CRD #1683235, Registered Representative, Monterey Park, California) submitted a Letter of Acceptance, Waiver and Consent in which she was suspended from association with any FINRA member in any capacity for 12 months. In light of Ting's financial status, no monetary sanction was imposed. Without admitting or denying the findings, Ting consented to the described sanction and to the entry of findings that she participated in private securities transactions without prior written notice to, or written permission from, her member firm to engage in the transactions, for which she received compensation. The findings stated that Ting

referred investors, some of whom were her firm's customers, to entities from which some of these investors purchased securities in the form of promissory notes and stock. The findings also stated that Ting received approximately \$259,958 as compensation for her referrals of investors.

The suspension is in effect from September 7, 2010, through September 6, 2011.
(FINRA Case #2008016435101)

Richard Totoy (CRD #5423558, Registered Representative, New York, New York) was barred from association with any FINRA member in any capacity. The sanction was based on findings that Totoy converted \$1,000 from an elderly customer by using an automatic teller machine (ATM) card to withdraw the funds from the customer's account without her knowledge or consent. The findings stated that Totoy admitted that he made the withdrawals and later returned the funds to the bank. The findings also stated that Totoy failed to respond to FINRA requests for information and to appear for a FINRA on-the-record interview. (FINRA Case #2008015139801)

Sebastian Mario Voltarelli (CRD #4720245, Registered Representative, Landing, New Jersey) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$5,000 and suspended from association with any FINRA member in any capacity for six months. The fine must be paid either immediately upon Voltarelli's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, Voltarelli consented to the described sanction and to the entry of findings that he willfully failed to amend his Form U4 to disclose material facts.

The suspension is in effect from September 7, 2010, through March 6, 2011.
(FINRA Case #2009020633801)

Michael Anthony White (CRD #1281593, Registered Representative, Texarkana, Arkansas) submitted a Letter of Acceptance, Waiver and Consent in which he was fined \$10,000 and suspended from association with any FINRA member in any capacity for two months. The fine must be paid either immediately upon White's reassociation with a FINRA member firm following his suspension, or prior to the filing of any application or request for relief from any statutory disqualification, whichever is earlier. Without admitting or denying the findings, White consented to the described sanctions and to the entry of findings that he recommended and executed unsuitable trades in a customer's IRA account. The findings stated that White recommended that the customer invest all of her IRA account in a portfolio of highly speculative, low-priced equity securities, and he engaged in frequent, short-term trading in the securities. The findings also stated that White's recommended trades were inconsistent with the customer's financial situation, investment time-horizon and growth and income investment objective. The findings also included that White exercised discretion in the customer's IRA account without the customer's written authorization or his member firm's approval.

The suspension is in effect from August 16, 2010, through October 15, 2010.
(FINRA Case #2007011936701)

Complaints Filed

FINRA issued the following complaints. Issuance of a disciplinary complaint represents FINRA's initiation of a formal proceeding in which findings as to the allegations in the complaint have not been made, and does not represent a decision as to any of the allegations contained in the complaint. Because these complaints are unadjudicated, you may wish to contact the respondents before drawing any conclusions regarding the allegations in the complaint.

Darren Joseph Dietrich (CRD #1814017, Registered Representative, Plant City, Florida) was named as a respondent in a FINRA complaint alleging that he effected trades in his member firm customer's account without the customer's prior knowledge, authorization or consent. The complaint alleges that Dietrich's unauthorized trades resulted in a total profit of \$4,450 in the customer's account, and Dietrich earned a totaled of \$933 in net commissions. The complaint also alleges that Dietrich failed to respond to FINRA requests to provide testimony. **(FINRA Case #2009016660701)**

Mitchell Harris Fillet (CRD #207546, Registered Principal, Rockville, Maryland) was named as a respondent in a FINRA complaint alleging that he willfully made misrepresentations and omissions of material fact to a customer in connection with the sale of securities. The complaint alleges that an offering document Fillet prepared contained numerous false representations about the purported business operations of the companies and failed to disclose the extensive criminal and civil record of the CEO of the companies. The complaint also alleges that Fillet knew, or was reckless in not knowing, these facts at the time he prepared the offering document. The complaint further alleges that Fillet, directly or indirectly through the companies' CEO, distributed the offering document to a customer in connection with his sale to the customer of units for the offerings. In addition, the complaint alleges that Fillet, as his firm's CCO, was required to conduct a supervisory review of all variable annuity transactions. Moreover, the complaint alleges that Fillet falsified new account forms, applications, acknowledgment forms, and related documents for variable annuity transactions that his firm executed for firm customers and falsified the variable annuity documents by signing his name in those sections of the documents requiring his supervisory approval and backdating the documents to make it appear that he had conducted a timely supervisory review of the documents. Furthermore, the complaint also alleges that Fillet later provided the falsified documents to FINRA staff. **(FINRA Case #2008011762801)**

John Brady Guyette (CRD #1711681, Registered Principal, Greely, Colorado), Richard Edward Landi (CRD #1336947, Registered Principal, Powhatan, Virginia) and Nicholas Dean Skaltsounis (CRD #825000, Registered Principal, Richmond, Virginia) were named as respondents in a FINRA complaint alleging that Guyette, Landi and Skaltsounis knew, or should have known, that their member firm sold securities using misrepresentations or omissions of material information, yet failed to disclose pertinent information to customers, and Landi and Skaltsounis permitted registered representatives to use a private placement memorandum (PPM) that they reasonably should have known contained material misstatements of fact. The complaint alleges that Guyette knowingly or recklessly mischaracterized material facts about the securities and recommended securities to customers that were not suitable based on the customers'

age, investment objectives, risk tolerance and needs. The complaint also alleges that the firm, acting through Landi, failed to establish and maintain a supervisory system, and failed to establish, maintain and enforce written supervisory procedures reasonably designed to achieve compliance with applicable securities laws and regulations and FINRA rules applicable to private securities offerings and related suitability, disclosure and other sales practice-related issues. The complaint further alleges that the firm, acting through Landi, failed to provide its due diligence committee reports on the company's offerings to the firm's registered representatives, which reflected Landi's assessment that the company's offerings were "high risk" and, because he failed to establish or implement reasonable procedures to distribute the firm's product reviews to its sale force, the firm's registered representatives characterized the offerings as "safe." In addition, the complaint alleges that although Landi knew that some of the firm's registered representatives had conducted their own due diligence on the company, he failed to gather information from those registered representatives about their understanding of the company's offerings. Moreover, the complaint alleges that the firm, acting through Landi, failed to establish, maintain and enforce reasonable written supervisory procedures regarding its review of private placements; Landi failed to enforce the firm's own due diligence committee guidelines, and Landi disregarded red flags about the company's ability to meet future payment obligations. Furthermore, the complaint alleges that Landi failed to take reasonable steps to ensure that the firm's registered representatives disclosed the missed payments to investors and prospective investors in the company's offerings, or otherwise ensure that investors and prospective investors were informed about material misrepresentations in the company's PPM. **(FINRA Case #2009018819001)**

Robert Lee Keys (CRD #720689, Registered Principal, Portland, Oregon) was named as a respondent in a FINRA complaint alleging that he recommended that a customer invest \$1.1 million in a promissory note, and represented to the customer that the promissory note was secured by \$1.1 million in United States Treasury Bonds, when in fact, no such bonds existed. The complaint alleges that Keys provided wiring instructions to the customer in connection with the recommended purchase directing her to wire funds to the bank account of the entity's owner. The complaint also alleges that Keys failed to investigate and discover that no treasury bonds existed, but relied on information he was given during a conference call initiated by the company owner to an unknown individual who claimed to be a representative of a well-known financial institution, which was claimed to be the current custodian of the bonds, and Keys failed to investigate whether the unknown individual was in fact an employee of the financial institution.

The complaint further alleges that, at the time of Keys' recommendation to the customer, he did not disclose the compensation, direct or indirect, that he expected to receive. In addition, the complaint alleges that Keys was responsible for establishing, maintaining and enforcing his member firm's supervisory control policies and procedures, but failed to implement reasonable supervisory control when he failed to ensure that an individual at the firm who was senior to or otherwise independent of himself supervised and reviewed his customer account activity. **(FINRA Case #2009017125101)**

Marco Antonio Martin (CRD #3100944, Registered Representative, Toronto, Canada) was named as a respondent in a FINRA complaint alleging that he executed over 50 unauthorized trades in a customer accounts and hid the losses that resulted from the unauthorized trades by sending a customer's false and misleading monthly account summaries that misrepresented the value of the accounts and failed to accurately reflect the substantial losses that had been incurred. The complaint alleges that Martin purchased mutual fund shares for another customer's account without the customer's prior authorization or approval. The complaint also alleges that Martin's member firm paid the customers \$336,000 in restitution. **(FINRA Case #2008014982901)**

Geraldine Ann Wert (CRD #1739218, Registered Principal, Edison, New Jersey) was named as a respondent in a FINRA complaint alleging that she converted approximately \$18,610 from an expense account her supervisors maintained and funded to pay for her own personal expenses. The complaint alleges that Wert took unauthorized personal loans totaling approximately \$12,000 from the expense account by issuing checks payable to herself and using the funds for her own personal use. The complaint also alleges that Wert repaid the unauthorized personal loans by making deposits into the expense account, typically in the same amounts as the checks she previously issued. The complaint further alleges that Wert forged her supervisors' signatures on customers' new account forms and advisory agreements without their authorization or knowledge. In addition, the complaint alleges that Wert failed to appear and provide testimony as FINRA Rule 8210 required. **(FINRA Case #2008015086401)**

Firms Expelled for Failure to Pay Fines and/or Costs Pursuant to FINRA Rule 8320

Itradedirect.com Corp
Boca Raton, Florida
(August 19, 2010)

Okoboji Financial Services, Inc.
Okoboji, Idaho
(August 27, 2010)

Solaris Securities, Inc.
San Antonio, Texas
(August 11, 2010)

Firms Expelled for Failure to Supply Financial Information Pursuant to FINRA Rule 9552

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Carmichael Securities Company, LLC
Phoenix, Arizona
(August 3, 2010)

MACMAR Investment Corporation
Akron, Ohio
(August 17, 2010)

McGinn, Smith & Co., Inc.
Albany, New York
(August 13, 2010)

Moran Securities, Inc.
Chicago, Illinois
(August 3, 2010)

Newport Securities, LLC
Woodland Hills, California
(August 17, 2010)

Polynous Securities, LLC
San Francisco, California
(August 3, 2010)

Segrave, Turlough William
New York, New York
(August 17, 2010)

Firms Suspended for Failure to Supply Financial Information Pursuant to FINRA Rule 9552

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Chicago Investment Group, LLC
Chicago, Illinois
(August 23, 2010)

McGinn, Smith & Co., Inc.
Albany, New York
(August 4, 2010)

Firm Suspended for Failure to Pay Arbitration Fees Pursuant to FINRA Rule 9553

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Advent Securities, Inc.
Richmond, Virginia
(August 20, 2010)

Sierra Equity Group LLC
Boca Raton, Florida
(August 2, 2010 – August 20, 2010)

Individual Revoked for Failing to Pay Fines and/or Costs Pursuant to FINRA Rule 8320

(If the revocation has been rescinded, the date follows the revocation date.)

Donald Jay Carrig
Irvine, California
(August 24, 2010)

Individuals Barred Pursuant to FINRA Rule 9552(h)

(If the bar has been vacated, the date follows the bar date.)

Salvador Gomez Alcala
Avondale, Arizona
(August 25, 2010)

John Mark Anderson
Sun Prairie, Wisconsin
(August 27, 2010)

Stuart Gregory Burchard
San Francisco, California
(August 27, 2010)

Timothy Richard Clancy
Boca Raton, Florida
(August 17, 2010)

Douglas John Costabile
Babylon, New York
(August 30, 2010)

Luis Roberto Ache Fragali
Sao Paulo, Brazil
(August 30, 2010)

Donald Lawrence Huber
Fort Thomas, Kentucky
(August 17, 2010)

Terry Gene Hummer
Topeka, Kansas
(August 30, 2010)

Joshua David Johnson
Westminster, California
(August 5, 2010)

David Lee Maynard
Bakersfield, California
(August 9, 2010)

Alan Vincent Michals
Las Vegas, Nevada
(August 9, 2010)

Kevin Paulin
Bristol, Connecticut
(August 25, 2010)

Jabari Wilfred Ragas
New Orleans, Louisiana
(August 30, 2010)

James A. Salamone
Staten Island, New York
(August 30, 2010 – September 21, 2010)

Brent Allen Seil
Glendale, Arizona
(June 29, 2010)

Corey Raymond Stingley
St. Petersburg, Florida
(August 13, 2010)

Kip Haruki Tani
Windsor, Colorado
(August 16, 2010)

Julie Strachan Traylor
Spring, Texas
(August 6, 2010)

Steven R. Vazquez
Holbrook, New York
(August 24, 2010)

Jacob Malachi Walls
Brooklyn, New York
(August 30, 2010)

Michael Scott Wittenberg
Huntington, New York
(August 16, 2010)

**Individuals Suspended Pursuant to
FINRA Rule 9552(d)**

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Kenneth Bruce Beck
Scott Depot, West Virginia
(August 23, 2010)

John Michael Curran
Coppell, Texas
(August 6, 2010)

Elizabeth Mae Eldridge
Atoka, Oklahoma
(August 27, 2010)

Catalina Izquierdo-Escobar
Stamford, Connecticut
(August 2, 2010)

Lawrence Howard Joseph Foont
Elmhurst, New York
(August 16, 2010)

Donald Bruce Goldman
Indianapolis, Indiana
(August 23, 2010)

Clifford Lee Greenwald
Taylorsville, Utah
(August 12, 2010)

Jeffrey Paul LaCross
North Plainfield, New Jersey
(August 19, 2010)

Ismael Moran
McAllen, Texas
(August 2, 2010)

Karlo Dizon Pizarro
Las Vegas, Nevada
(August 30, 2010)

James Arthur Ponder
Ocala, Florida
(August 19, 2010)

Leonel Ramirez
New Britain, Connecticut
(August 9, 2010)

Daniel Romero
Albuquerque, New Mexico
(August 9, 2010)

Bret Nelson Shofner
Boca Raton, Florida
(August 2, 2010)

Michael John Tecklenburg
Fishkill, New York
(August 2, 2010)

Jacqueline Elaine Walker
Waco, Texas
(August 23, 2010)

**Individuals Suspended for Failure to
Comply with an Arbitration Award or
Settlement Agreement Pursuant to
FINRA Rule 9554**

(The date the suspension began is listed after the entry. If the suspension has been lifted, the date follows the suspension date.)

Michael David Arroyos
Houston, Texas
(August 19, 2010)

Patricia Bonavito
New York, New York
(August 5, 2010)

Michael Asher Dagnan
Arlington, Texas
(August 19, 2010)

David Neil Frand
Parkland, Florida
(June 4, 2010 - August 20, 2010)

James Matt Henry
Star City, Arizona
(July 23, 2010 – August 5, 2010)

Xin Xin Li
San Francisco, California
(June 29, 2010 – August 27, 2010)

Joseph Carlo Ortega Jr.
Los Angeles, California
(August 19, 2010)

Mark Hermann Pollack
Teaneck, New Jersey
(August 5, 2010)

David Walter Strand
Lake Orion, Michigan
(August 5, 2010)

FINRA Fines Morgan Stanley \$800,000 for Deficient Conflict of Interest Disclosures in Equity Research Reports and Public Appearances by Research Analysts

Firm Also Violated 2003 Research Analyst Settlement

The Financial Industry Regulatory Authority (FINRA) has censured and fined Morgan Stanley & Co., Inc. \$800,000 for failing to make public disclosures required by FINRA's rules governing research analyst conflicts of interest. The firm also failed to comply with a key provision of the 2003 Research Analyst Settlement by failing to disclose the availability of independent research in customer account statements.

In addition to the censure and fine, Morgan Stanley must review a sample of its research reports and certify to FINRA that they comply with FINRA's research analyst conflict-of-interest rules. These reviews and certifications must take place every six months for two years.

"This case strikes at the heart of FINRA's research disclosure requirements, which were written in response to scandals involving research analyst conflicts of interest," said James S. Shorris, FINRA Executive Vice President and Acting Chief of Enforcement. "Here, thousands of Morgan Stanley research reports did not include accurate information about the firm's relationships with the companies it covered, depriving potential investors of important information."

FINRA found that from April 2006 to June 2010, Morgan Stanley issued equity research reports that failed to disclose accurate information about the relationships Morgan Stanley, or its analysts, had with companies covered in its research reports. Overall, these inaccuracies resulted in approximately 6,836 deficient disclosures in about 6,632 equity research reports and 84 public appearances by research analysts. Among the deficient disclosures were:

- Securities holdings of an analyst, or a member of the analyst's household, in a subject company;
- Morgan Stanley's receipt of investment banking and non-investment banking revenue from subject companies;
- Morgan Stanley's role as a manager, or co-manager, of a public offering of securities for subject companies;
- Morgan Stanley's role as a market maker for certain subject companies' securities; and
- Price charts for securities covered in equity research reports and the valuation method used to support published price targets.

Morgan Stanley also did not disclose in approximately 127,600 monthly account statements sent to customers from August 2007 to February 2008 that it had available independent, third-party research. The requirement to provide customers with this notification was part of the Securities and Exchange Commission's final agreement with Morgan Stanley as part of the 2003 Research Analyst Settlement and was incorporated into a separate agreement with FINRA.

In determining the appropriate sanctions in this matter, FINRA considered Morgan Stanley's self-review and self-reporting of some of its disclosure violations and remedial steps taken by the firm, as well as a prior FINRA settlement in 2005 that found the firm violated FINRA's research analyst disclosure rules.

In settling this matter, Morgan Stanley neither admitted nor denied the charges, but consented to the entry of FINRA's findings.

Merrill Lynch to Pay More Than \$2.5 Million Related to UIT Sales Charge Discount Failures

Firm is fined \$500,000, Ordered to Pay Over \$2 Million in Customer Remediation

The Financial Industry Regulatory Authority (FINRA) has fined Merrill Lynch \$500,000 for failing to provide sales charge discounts to customers on eligible purchases of Unit Investment Trusts (UITs). FINRA also found that Merrill Lynch failed to have an adequate supervisory system in place to ensure customers received appropriate UIT discounts. The firm also agreed to provide remediation of more than \$2 million to affected customers.

"Firms have been on notice since at least 2004 that they must develop and implement procedures to ensure customers receive appropriate sales charge discounts for UIT investments," said James S. Shorris, FINRA Executive Vice President and Acting Chief of Enforcement. "In this case, it was critical for the firm to ensure that its brokers were diligent in providing sales charge discounts to which customers were entitled. This failure resulted in increased investment costs to Merrill's customers."

A UIT is a type of investment company that offers redeemable units, of a generally fixed portfolio of securities, that terminate on a specific date. UIT sponsors generally offer sales charge discounts to investors, known as "breakpoint discounts" and "rollover and exchange discounts."

A breakpoint discount is a reduced sales charge based on the dollar amount of the purchase—the higher the amount the greater the discount. Breakpoints generally function as a sliding reduction in the sales charge percentage available for purchases, usually beginning at \$25,000 or \$50,000 (or the corresponding number of units).

A rollover or exchange discount is a reduced sales charge that is offered to investors who use the termination or redemption proceeds from one UIT to purchase another UIT.

On March 31, 2004, FINRA issued a Regulatory Notice to firms titled, Unit Investment Trust Sales. The Notice reminds broker-dealers that they should develop and implement procedures to ensure customers receive appropriate sales charge discounts for UITs.

Prior to May 2008, however, Merrill Lynch's written supervisory procedures had little to no information or guidance regarding UIT sales charge discounts. Even after the firm established procedures addressing UIT sales charge discounts, the procedures were inaccurate and conflicting.

Merrill Lynch's procedures lacked substantive guidelines, instructions, policies or steps for brokers or their supervisors to follow to determine if a customer's UIT purchase qualified for and received a sales charge discount. As a result of its defective procedures, between October 2006 and June 2008, the firm failed to appropriately apply discounts on rollover and breakpoint purchases resulting in customers being overcharged on their UIT purchases.

Merrill Lynch also approved for distribution, and for use in client presentations, inaccurate and misleading UIT sales literature. The presentation discussed sales charge discounts, but led clients to believe that they were only entitled to a discount if they used UIT proceeds to purchase a new UIT offered by the same sponsor.

As part of the settlement, Merrill Lynch is providing restitution to all customers who were overcharged when purchasing UITs through the firm, from January 2006 to the present. Merrill Lynch settled this matter without admitting or denying the allegations, but consented to the entry of FINRA's findings.

FINRA Fines HSBC \$375,000 for Unsuitable Sales of Inverse Floating Rate CMOs to Retail Customers and Related Supervisory Failures

Firm Paid Customers Restitution of \$320,000

The Financial Industry Regulatory Authority (FINRA) has fined HSBC Securities (USA) Inc. \$375,000 for recommending unsuitable sales of inverse floating rate Collateralized Mortgage Obligations (CMOs) to retail customers. HSBC failed to adequately supervise the suitability of the CMO sales and fully explain the risks of an inverse floating rate or other risky CMO investment to its customers.

FINRA's investigation found that HSBC recommended the sale of CMOs, including inverse floating rate CMOs, to its retail customers. As a result of HSBC not implementing an adequate supervisory system and procedures relating to the sale of inverse floating rate CMOs to retail customers, six of its brokers made 43 unsuitable sales of inverse floaters to retail customers who were unsophisticated investors and not suited for high-risk investments. In addition, HSBC's procedures required a supervisor's pre-approval of any sale in excess of \$100,000; FINRA found that 25 of the 43 CMO sales were in amounts exceeding \$100,000 and that in five of these instances, customers lost money in their inverse floating rate CMO investments. HSBC has paid these customers full restitution totaling \$320,000.

"Firms must adequately train their brokers on all of the products that they are selling and must reasonably supervise them to ensure that every security recommended is suitable for the particular customer," said James S. Shorris, FINRA Executive Vice President and Acting Chief of Enforcement. "The losses incurred by HSBC's customers likely would have been avoided had the firm sufficiently trained its brokers on the suitability and risks of inverse floating rate CMOs and reasonably supervised their brokers to ensure that they were making suitable recommendations."

A CMO is a fixed income security that pools mortgages and issues tranches with various characteristics and risks. CMOs make principal payments throughout the life of the security with the maturity date being the last date by which all of the principal must be returned. The timing of the return of principal payments can vary depending on interest rate changes.

One of the more risky CMO tranches is the inverse floater, a type of tranche that pays an adjustable rate of interest that moves in the opposite direction from movements of an interest rate index, such as LIBOR. Since 1993, FINRA has advised firms that inverse floating rate CMOs “are only suitable for sophisticated investors with a high-risk profile.”

FINRA found that HSBC did not provide its brokers with sufficient guidance and training regarding the risks and suitability of CMOs. In particular, the firm did not inform its registered representatives that inverse floaters were only suitable for sophisticated investors with a high-risk profile. In addition, the firm did not provide its registered representatives with information regarding the risks associated with the specific inverse floaters that were available to be sold.

FINRA also found that HSBC failed to comply with a FINRA rule, adopted in November 2003, which requires firms to offer certain educational materials before the sale of a CMO to any person, other than an institutional investor. The educational materials must include, among other things, the characteristics and risks of CMOs, in general, and the specific characteristics and risks associated with the different tranches of a CMO.

During the relevant time period, HSBC did not advise its registered persons that they were required to offer written educational material to their customers before they sold them CMOs. Although HSBC provided its brokers with a CMO brochure, the brokers did not offer the brochure to every CMO investor, nor did they know that they were required to give the materials to all potential CMO investors before selling them a CMO. Moreover, the brochures did not comply with FINRA’s content standards. In particular, the brochure failed to discuss inverse floaters and failed to include a section on risks associated with purchasing CMOs.

In concluding this settlement, HSBC neither admitted nor denied the charges, but consented to the entry of FINRA’s findings.

FINRA Fines Zions Direct \$225,000 for Failure to Disclose Potential Conflict of Interest in its Online CD Auctions

Firm’s Claims About CD Auctions Also Violated FINRA Advertising Rules

The Financial Industry Regulatory Authority (FINRA) announced has fined Zions Direct, Inc. \$225,000 for failing to disclose the potential conflict of interest created by the participation of its affiliate, Liquid Asset Management (LAM), in online CD auctions conducted by Zions involving certificates of deposit (CDs) issued by Zions-affiliated banks.

Zions Direct, based in Salt Lake City, began auctioning CDs through its website in February 2007. Prior to November 2008, the firm failed to disclose LAM's participation in the auctions to retail investors bidding in the auctions. FINRA found that the closing yields in some auctions may have been higher had LAM not participated.

LAM's participation in the auctions for its customers had the potential to disadvantage other auction participants—including retail customers—who may have received lower CD yields than they would have otherwise. Also, LAM's participation could potentially benefit the issuing banks, also affiliated with Zions, who might have paid higher yields on the CDs purchased through the auctions had LAM not participated.

"Firms are obligated to disclose to customers and prospective customers material information about their products and services," said James S. Shorris, FINRA Executive Vice President and Acting Chief of Enforcement. "Here, the CD auction participants were never told that they were effectively competing against Zions Direct's affiliate in the firm's own auctions, and that, as a result, bidders may receive lower yields. This was material information, and a potential conflict of interest, that should have been disclosed."

Beginning in November 2008, Zions Direct generally disclosed LAM's participation in the auctions, yet still failed to disclose the potential conflict of interest between the issuing banks affiliated with Zions and its customers who participated in the auctions.

FINRA also found that Zions Direct sent its current and prospective customers advertisements related to its CD auctions which contained misleading, unwarranted, and exaggerated statements and claims, and claims for which no reasonable basis had been provided. For example, some of the firm's communications contained the following statements:

- "Where else can you bid with the big boys and win?"
- "Crush The National Average For CD Yields."
- "Higher yields on CDs."

In addition, FINRA determined that the firm published market clearing yields on its website without adequately disclosing that they typically would not reflect the closing yields at the end of the auctions. For example, on March 20, 2009, the Zions website displayed a one-month CD with a market clearing yield of 27.06 percent. The same auction closed on March 23, 2009, with a yield of 1.3 percent. While the disclosure documents indicated how the yield was calculated, such disclosures were not prevalent or apparent.

In concluding this settlement, Zions Direct neither admitted nor denied the charges, but consented to the entry of FINRA's findings.